



# House of Representatives

General Assembly

**File No. 74**

January Session, 2007

House Bill No. 7003

*House of Representatives, March 19, 2007*

The Committee on Banks reported through REP. BARRY of the 12th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

## **AN ACT CONCERNING THE EMERGENCY MORTGAGE ASSISTANCE PROGRAM.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subdivision (4) of section 8-265cc of the general statutes is  
2 repealed and the following is substituted in lieu thereof (*Effective*  
3 *October 1, 2007*):

4 (4) "Mortgagee" means the original lender under a mortgage, or its  
5 successors, [who agrees to participate in the program established  
6 pursuant to sections 8-265cc to 8-265kk, inclusive,] or an assignee of a  
7 mortgage. [who agrees to participate in the program;]

8 Sec. 2. Subsection (b) of section 8-265dd of the general statutes is  
9 repealed and the following is substituted in lieu thereof (*Effective*  
10 *October 1, 2007*):

11 (b) Notwithstanding any provision of the general statutes or any  
12 rule of law to the contrary, on and after [the date a mortgagee agrees to

13 participation in the program established pursuant to sections 8-265cc  
14 to 8-265kk, inclusive] October 1, 2007, no judgment of strict foreclosure  
15 nor any judgment ordering a foreclosure sale shall be entered in any  
16 action instituted by the mortgagee to foreclose a mortgage commenced  
17 on or after such date, for the foreclosure of an eligible mortgage unless  
18 (1) notice to the mortgagor has been given by the mortgagee in  
19 accordance with section 8-265ee, as amended by this act, and the time  
20 for response has expired, and (2) a determination has been made on  
21 the mortgagor's application for emergency mortgage assistance  
22 payments in accordance with section 8-265ff or the applicable time  
23 periods set forth in said sections 8-265cc to 8-265kk, inclusive, have  
24 expired, whichever is earlier. For purposes of this section and sections  
25 8-265ee to 8-265kk, inclusive, as amended by this act, an "eligible  
26 mortgage" is a mortgage which satisfies the standards contained in  
27 subdivisions (1), (3), (8) and (10) to (13), inclusive, of subsection (d) of  
28 section 8-265ff.

29 Sec. 3. Subsection (a) of section 8-265ee of the general statutes is  
30 repealed and the following is substituted in lieu thereof (*Effective*  
31 *October 1, 2007*):

32 (a) On or after [the date a mortgagee files an agreement to  
33 participate in the program established pursuant to sections 8-265cc to  
34 8-265kk, inclusive] October 1, 2007, the mortgagee who desires to  
35 foreclose upon a mortgage which satisfies the standards contained in  
36 subdivisions (1), (3), (10), (11) and (12) of section 8-265ff, shall give  
37 notice to the mortgagor by registered, or certified mail, postage  
38 prepaid at the address of the property which is secured by the  
39 mortgage. No such mortgagee may commence a foreclosure of a  
40 mortgage prior to mailing such notice. Such notice shall advise the  
41 mortgagor of his delinquency or other default under the mortgage and  
42 shall state that the mortgagor has thirty days from the date of such  
43 notice in which to (1) have a face-to-face meeting or telephone  
44 conference with the mortgagee or a face-to-face meeting with a  
45 consumer credit counseling agency to attempt to resolve the  
46 delinquency or default by restructuring the loan payment schedule or

47 otherwise, and (2) to contact the authority, at an address and phone  
48 number contained in the notice, to obtain information and apply for  
49 emergency mortgage assistance payments if the mortgagor and  
50 mortgagee are unable to resolve the delinquency or default.

51 Sec. 4. Subsection (d) of section 8-265hh of the general statutes is  
52 repealed and the following is substituted in lieu thereof (*Effective*  
53 *October 1, 2007*):

54 (d) All moneys received by the authority from mortgagors for  
55 repayment of emergency mortgage assistance payments shall be paid  
56 to the authority, deposited in such funds or accounts as the authority  
57 may establish from time to time for such purpose and [paid by the  
58 authority to the State Treasurer and deposited into the General Fund]  
59 be used solely for the purposes of the program established pursuant to  
60 sections 8-265cc to 8-265kk, inclusive, as amended by this act.

61 Sec. 5. (*Effective July 1, 2007*) (a) For the purposes described in  
62 subsection (b) of this section, the State Bond Commission shall have  
63 the power, from time to time, to authorize the issuance of bonds of the  
64 state in one or more series and in principal amounts not exceeding in  
65 the aggregate five million dollars.

66 (b) The proceeds of the sale of said bonds, to the extent of the  
67 amount stated in subsection (a) of this section, shall be used by the  
68 Department of Economic and Community Development for the  
69 purpose of the Emergency Mortgage Assistance Program.

70 (c) All provisions of section 3-20 of the general statutes, or the  
71 exercise of any right or power granted thereby, which are not  
72 inconsistent with the provisions of this section are hereby adopted and  
73 shall apply to all bonds authorized by the State Bond Commission  
74 pursuant to this section, and temporary notes in anticipation of the  
75 money to be derived from the sale of any such bonds so authorized  
76 may be issued in accordance with said section 3-20 and from time to  
77 time renewed. Such bonds shall mature at such time or times not  
78 exceeding twenty years from their respective dates as may be provided

79 in or pursuant to the resolution or resolutions of the State Bond  
80 Commission authorizing such bonds. None of said bonds shall be  
81 authorized except upon a finding by the State Bond Commission that  
82 there has been filed with it a request for such authorization which is  
83 signed by or on behalf of the Secretary of the Office of Policy and  
84 Management and states such terms and conditions as said commission,  
85 in its discretion, may require. Said bonds issued pursuant to this  
86 section shall be general obligations of the state and the full faith and  
87 credit of the state of Connecticut are pledged for the payment of the  
88 principal of and interest on said bonds as the same become due, and  
89 accordingly and as part of the contract of the state with the holders of  
90 said bonds, appropriation of all amounts necessary for punctual  
91 payment of such principal and interest is hereby made, and the State  
92 Treasurer shall pay such principal and interest as the same become  
93 due.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>October 1, 2007</i>	8-265cc(4)
Sec. 2	<i>October 1, 2007</i>	8-265dd(b)
Sec. 3	<i>October 1, 2007</i>	8-265ee(a)
Sec. 4	<i>October 1, 2007</i>	8-265hh(d)
Sec. 5	<i>July 1, 2007</i>	New section

**BA**      *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

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***OFA Fiscal Note***

***State Impact:*** None

***Municipal Impact:*** None

***Explanation***

This bill requires banks to participate in the Emergency Mortgage Assistance Program and makes certain restrictions to funds related to this program. There is no fiscal impact to the state.

***The Out Years***

***State Impact:*** None

***Municipal Impact:*** None

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**OLR Bill Analysis****HB 7003*****AN ACT CONCERNING THE EMERGENCY MORTGAGE ASSISTANCE PROGRAM*****SUMMARY:**

This bill makes lender participation in the Connecticut Housing Finance Authority's (CHFA) Emergency Mortgage Assistance Program (EMAP) mandatory, rather than elective, if the property and mortgage are eligible. Under the bill, a lender cannot bring a foreclosure action on an existing eligible mortgage unless it first provides notice to the borrower indicating that he has 30 days to (1) confer with the lender or a consumer credit counseling agency about restructuring the repayment schedule and (2) contact CHFA about the program if they are unable to resolve the delinquency or default. Additionally, for mortgages commenced on or after the bill's passage, the courts cannot approve a foreclosure or order a foreclosure sale started unless the mortgagor fails to respond to the notice or CHFA denies or misses the decision deadline for the application.

The bill authorizes up to \$5 million in bonds, which the Department of Economic and Community Development must use to fund the program. Additionally, the bill requires CHFA to use all the repaid funds it receives from mortgagors for EMAP. Current law requires the repayments to go into the General Fund.

EFFECTIVE DATE: October 1, 2007, except for the bond authorization, which takes effect on July 1, 2007.

**BACKGROUND*****EMAP***

EMAP was created by statute in 1993 to assist homeowners who

could not pay their mortgages due to financial circumstances beyond their control. Those receiving assistance under the program are required to make smaller payments to CHFA in lieu of their mortgage. CHFA pays the difference between the amount of the payments and the mortgage for up to 36 months. CHFA secures these payments with emergency mortgages on the property. The homeowner is required to repay CHFA with interest. The program has not been funded since 1995.

In order to be eligible for EMAP, the mortgaged property must be a owner-occupied single- or two-family home or condominium unit. The mortgage cannot be FHA insured. The homeowner must demonstrate his need for assistance payments. There must be a reasonable prospect that the homeowner will be able to resume payments and repay CHFA. The homeowner does not qualify for assistance if he has been behind in his payments at least twice for more than 30 days during the prior two years. CHFA can waive this provision if the owner can show that this was due to circumstances beyond his control.

**COMMITTEE ACTION**

Banks Committee

Joint Favorable

Yea 13      Nay 5      (03/06/2007)